

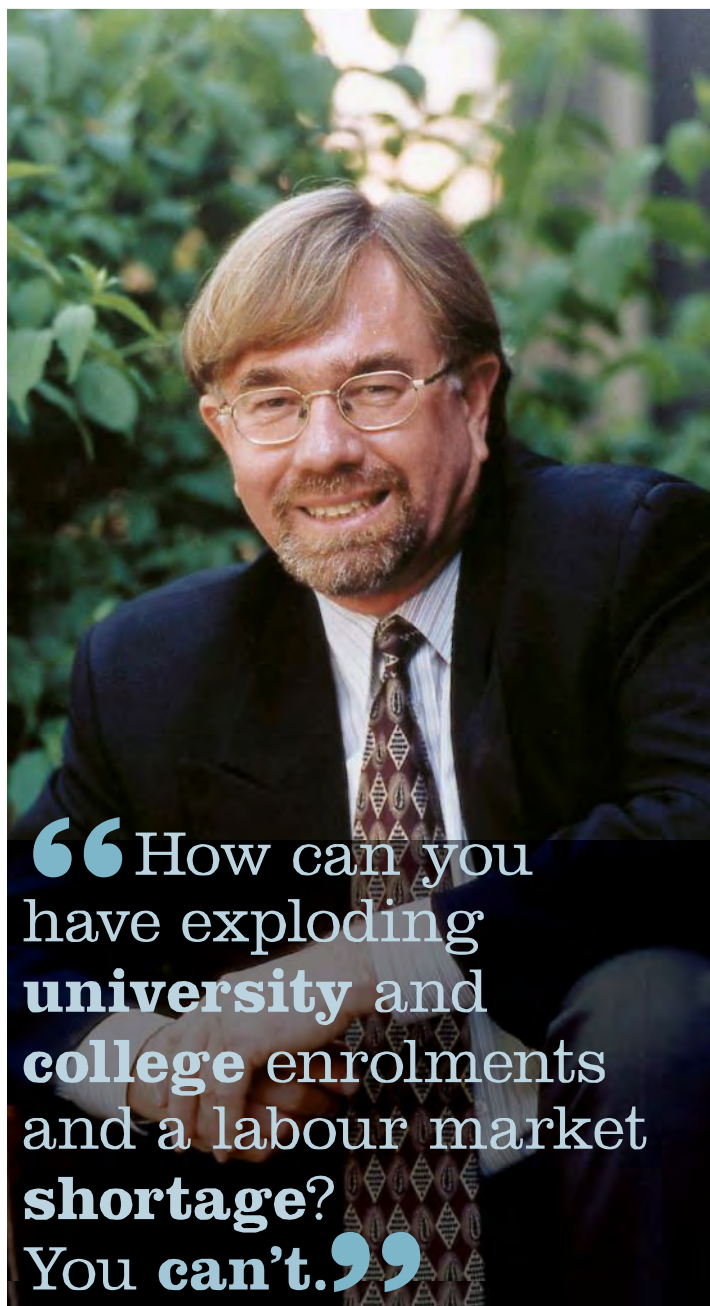
UNIVERSITY OF TORONTO ECONOMICS PROFESSOR, CONSULTANT AND AUTHOR OF *BOOM, BUST & ECHO*, DAVID K. FOOT FORECASTS GLOBAL DEMOGRAPHIC TRENDS AND THEIR EFFECT ON CANADIAN WORKPLACES

In 1996, David Foot's *Boom, Bust & Echo* took the world by storm and became a No. 1 national best-seller. It showed the vital role demographics play in understanding current and future trends in both society and the economy. Foot brought to the public consciousness an important tool for predicting future growth opportunities and shortfalls. Since then he has also published *Boom, Bust & Echo 2000* and *Boom, Bust & Echo: Profiting from the Demographic Shift in the 21st Century*. *HR Professional* spoke with Foot about the impact demographics has on Canadian workplaces and how it will affect the economy in the next 20 years.

HRP: Is there any foundation to the fears of a massive labour shortage with the baby boomers retiring?

DF: Absolutely not. The idea of a labour market shortage came about during the 1990s when decreasing numbers of workers were coming into the workforce as a result of fewer people being born in the late 1960s and 1970s, coupled with impending boomer retirements.

In Canada, the baby boom took place from 1947 to 1966. We know the average age of retirement



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IN A NUTSHELL

Dr. Foot's suggested list of places to find demographic information:
Canada Population Projections for Canada, Provinces and Territories—
Statistics Canada: www.statcan.ca/english/ads/91-520-XPB/index.htm
World International Database—U.S. Department of Commerce:
www.census.gov/ipc/www/idb/ | Dynamic Population Pyramids:
www.census.gov/ipc/www/idb/pyramids.html | Population Reference
Bureau: www.prb.org
United States Population Projections—U.S. Census: www.census.gov
United Kingdom Office for National Statistics: www.statistics.gov.uk
Australia Australian Bureau of Statistics: www.abs.gov.au

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is 62, so the first boomers will start to retire in 2009 and the rest will do so gradually over the next 20 years.

What everyone seems to have forgotten about is the last part of my book title—*echo*. The echo started in 1980 and this echo generation entered the workforce just as people started panicking about a labour market shortage. So we've had lots of young people coming into the workforce. How can you have exploding university and college enrolments and a labour market shortage? You can't.

This point of view has been vindicated in the last seven years because the unemployment rate never dipped below six per cent. An unemployment rate over six per cent is not a labour market shortage; four per cent may signal a tightening, but six per cent doesn't.

A good thing about this pervasive labour-market shortage myth is that human resources professionals are now recognized key to a company's future.

HRP: So, is there going to be a skills shortage with the bust generation (born between 1967 and 1979)?

DF: No. Don't forget we still have a lot of gen Xers (that's the back quarter of the boom generation born from 1961 to 1966) who are in their 40s and are waiting patiently to get into the senior executive positions occupied by the older boomers. Behind them are the bust generation, who are now in their 30s. The children of the boomers have entered the workforce as well and will be coming up the ranks in their late 20s. So we have lots of young, experienced talent and we're in great shape regarding future expertise in the workforce.

HRP: What industries do you see opportunity in?

DF: I did some research on the demographic future of the U.K. and found that the fastest growing sector after health care was energy, because an aging population tries to mitigate the extremes of temperature. The older we get,

the more likely we are to turn on the air conditioning in the summer and the heat in the winter. People devote a lot more of their consumer budget to energy as they get into their 70s and 80s.

HRP: What do you make of the intergenerational workplace



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conflict with the boomers, busters and echoes?

DF: My students today are saying the same thing I said when I was in my 20s, “I’m never going to be a workaholic like my parents.” I say to my students, “there’s nothing like a kid and a mortgage to get you focused on your career.” People in their 20s have always been different than people in their 50s. The boomers behaved exactly the same way when they were in their 20s. The different generations have always had different needs from the workplace.

HRP: What are the future trends in the Canadian workforce?

DF: We’re going to have lots of healthy, experienced workers in their 50s and 60s who want to keep working—but not full time. For this to come to fruition two things have to happen in organizations: there has to be a culture change at the top, so the workaholics of the world no longer see someone working half-time for half-salary as lacking commitment to the company; the second is pension reform. When you are working, you want to accumulate pension benefits and when you’re not working, you want to withdraw from your pension—but it’s illegal to do that with most pensions in North America. So, it’s becoming increasingly important to redesign pensions and add flexibility to the workplace, otherwise when those boomers hit 65, they will walk out the door and go work part-time for the competition for another 10 years.

HRP: Which countries are going to be the biggest global players in the next 20 years?

DF: Turkey, Brazil, Vietnam,

and if we hadn’t isolated them, Iran, because they all have big, young domestic populations, well-educated workforces—all of those countries have educated women during the last 25 years—and a shrinking population base in the future, which is going to lead to higher per-capita incomes.

HRP: What about China and India?

DF: China and India have entirely different demographics and are heading in very different directions as a result. China has a one-child policy and, although it isn’t fully enforced, they are still only

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having about 1.5 to 1.6 children per family—the same as Canada. In about five years, China is going to run out of young workers, which will lead to labour shortages, rising wages and higher per-capita incomes over the next two decades. Growth in China will come from rising

per capita incomes, but not population growth.

Meanwhile, India has an average of three children per family. This means huge numbers of young people to keep wages and incomes lower. India will continue to be a low-cost competitor in the world; China will not.

HRP: What can Canada do to keep pace with the growing economies of Turkey and Brazil?

DF: Why do we want to keep pace? We've got to stop thinking about growth—growth is bad for the planet. There is nothing wrong with slower economic growth, you can still get richer. As long as the economic growth is faster than the population growth, per-capita incomes go up. We can improve our standard of living by not keeping up with them. Japan is about to see negative economic growth, but because their population is shrinking, their per-capita incomes are rising.

I don't think it should be our job to keep up with these countries—it's their turn in the sun. It's time for Canada to consolidate and concentrate on what we do well, such as knowledge-based industries. We can, for example, export university education or help other countries set up public health systems.

HRP: What is the easiest way to predict a country's potential for prosperity?

DF: Fertility rates. Replacement fertility is 2.1—you need two children to replace yourself and your partner and an extra tenth to compensate for people who can't have children, don't have children or women who don't reach the age to have children. Half a child more and half a child less is not a big deal. So if your country is in the range of 1.6 to 2.6, it will have a sustainable society and sustainable growth.

If a country has more than 2.6 children per family, they will have a real challenge creating enough jobs for its young people, and if you don't create enough jobs for young people they will either leave or tear the country apart. So there are lots



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of countries in the world with fertility rates above 2.6 that have real problems. Certainly this is true of Iraq and Afghanistan where fertility rates are around five to seven. Getting that fertility rate down is absolutely crucial to sustaining economic growth.

Once a country has fewer than 1.6 children per family it will never be able to afford its aging population because it won't have enough young people to provide pensions and health care. That's where most of the countries in Europe are heading. The combined fertility rate of western Europe is 1.4 children per family. Canada is approaching that point now.

HRP: How does Canada offset this?

DF: Canada has the biggest immigration program in the world on a per capita basis. That's why we haven't suffered and will not suffer in the same way as Europe.

But immigration isn't as simple a solution as it might appear. We've seen over the last decade that our immigrants, in general, have not been successful in the workplace. There are lots of reasons for this, but one is the language barrier. In the late-1990s, half of our immigrants spoke neither English nor French, so they have had a lot of difficulty getting jobs. If they can't get jobs, they are not offsetting labour market shortages. Cranking up the level of immigration without paying attention to how immigrants can be successful in the workplace is crazy.

By the way, Canada won't need to increase immigration levels to foster labour force growth until after 2016—when the end of the echo reaches age 20. **HR**

For more information on David K. Foot or the Boom, Bust & Echo books, visit www.footwork.com/index.asp.